



State Council of
Higher Education for Virginia

The Restructured Higher Education Financial and Administrative Operations Act of 2005

Innovation and Cost Containment Committee

**Governor's Commission on Higher Education
Reform, Innovation and Investment**

July 29, 2010
Richmond



Higher Education Restructuring

To provide public colleges and universities with more operational and administrative autonomy in exchange for a renewed commitment to their public missions.



Higher Education Restructuring

- Outlines a public agenda (the goals)
- Creates a “contract” (meet the goals, get more administrative & financial autonomy)
- Establishes an integrated six-year planning process
- Ties financial incentives to institutional performance
- Establishes a process for gaining additional institutional autonomy over time (3 levels)



Levels of Autonomy

- **Level I**
 - All institutions with Board of Visitor commitment in 2005
 - Receive minimum operational authority
- **Level II**
 - Criteria established in 2008 GA Session
 - Memorandum of Understanding for operational authority in two of the following areas – capital outlay, procurement, information technology
 - GMU, JMU, LU, ODU, RU, VMI (procurement and information technology)
 - VCCS (capital outlay and information technology)
- **Level III**
 - Management Agreement with operational authority in capital outlay, procurement, information technology, human resources, finance
 - Three initial institutions – CWM, UVa, VT
 - VCU authorized in 2008 GA Session



Basic Operational Autonomy

- Dispose of surplus property locally
- Contract with local building officials for building code review
- Acquire or convey easements
- Enter into operating lease for academic uses
- Make information technology purchases without prior approval of state CIO
- Designate administrative and professional faculty locally
- Certify SWAM vendors and authorize sole-source procurements locally
- No change in tuition policy (remained with BOV)



Financial Incentives

- Receive interest on tuition and fees and other nongeneral E&G revenues deposited in the State Treasury
- Unexpended appropriations shall be reappropriated in the next fiscal year
- Pro rata amount of the rebate to the Commonwealth on credit card purchases of \$5,000 or less
- Rebate on transaction fees paid for sole source procurements in eVA



Higher Education Restructuring

GOALS: The Public Agenda (“state asks”)

1. Student access, including underrepresented groups
2. Affordable education, regardless of family income
3. Broad range of academic offerings
4. High academic standards
5. Student retention and progress toward a degree
6. Uniform articulation & dual-enrollment agreements
7. Economic development
8. Externally-funded research
9. K-12 education and student achievement
10. Six-year plans
11. Operational efficiency (financial and administrative standards)
12. Campus safety and security



Higher Education Restructuring

The State Council of Higher Education (SCHEV) assesses progress in meeting the institutional performance standards (IPS) for the education-related goals.

The Secretaries of Finance, Technology, and Administration determine institutional performance in meeting the financial and administrative standards.



Higher Education Restructuring

Measures, Targets, and Thresholds

Performance measures for each goal are outlined in the Appropriation Act. These measures apply equally and uniformly to all public institutions.

Targets and thresholds for each education-related measure are individualized (determined in negotiation between SCHEV and each public institution) and should be “reasonable and achievable.”



IPS Targets and Thresholds

- No set standards or variances of performance for each measure
 - The variance between the target and threshold is determined based on the unique characteristics of each institution. Thresholds are determined based on a reasonable assessment of the variability of historical data and possible future circumstances.
- Unique to institutional mission, students, past performance, etc.
 - An institution may be exempt from certification on a measure SCHEV deems unrelated to its mission or unnecessary given its level of performance.
- The measures for enrollment and degrees have fixed threshold limits and are determined by the Council-approved enrollment projections.
- Institutions are encouraged to set targets that are realistic and achievable.



Education-related Standards

Goal	Measure	Annual Certification	Biennial Reporting
Access	In-State Enrollment	X	
	Underrepresented enrollment	X	
	Degree awards	X	
Affordability	Affordability	X	
	Need-based borrowing		X
	Tuition assessment		X
Breadth of Academics	High-need degrees	X	
Academic Standards	SACS program review	X	
	Degrees per FTE faculty		X
Retention & Graduation	Retention rate	X	
	Degrees per FTE students	X	
Articulation and Dual Enrollment	Transfer agreements		X
	Degree transfers	X	
	Dual enrollment	X	
Economic Development	Economic development		X
Research	Research expenditures	X	
	Patents and licenses		X
K-12 Education	K-12 partnerships		X
Campus Safety and Security	Campus Safety and Security		X



Amendments and Changes

- Goal 12 (campus safety) was added in 2006.
- Level II criteria were added in 2008.
- In 2009 following consultation between the State Council, SCHEV staff, and institutional representatives, the number of performance standards was reduced, and several of the remaining standards were changed from annual to biennial.



Certification History

May 2007

Council certified all 17 institutions as having “satisfactorily met” the performance standards, and it issued multiple challenges to each regarding future plans and measure reviews.



Certification History

May 2008

Council certified 13 institutions as having “satisfactorily met” the performance standards and certified four institutions as having “substantially met” the standards; improvement plans were required from the latter four institutions (LU, UVa-W, VCU, VSU).



Certification History

June 2009

Council certified 14 institutions as having “satisfactorily met” the performance standards and certified three institutions (RBC, UVa-W, VCU) as having “substantially met” the standards; remedial plans were required from RBC and UVa-W.



Certification History

May 2010

Council certified 13 institutions as having “satisfactorily met” the performance standards and certified four institutions as having “substantially met” the standards (JMU, LU, RBC, VSU); no new/additional remedial plans were required.



Financial Benefits, FY2009

General Fund					
Financial Benefits of Restructuring Certification, FY2009					
Institution	Interest Earnings	Credit Card	eVA Sole Source Fee	Carry Forward	Total
CNU	\$161,463	\$50,206	\$7	\$5,153	\$216,829
CWM	\$109,237	\$33,675	\$1,046	\$0	\$143,958
GMU	\$1,360,997	\$95,622	\$1,234	\$1,951	\$1,459,804
JMU	\$970,011	\$111,530	\$11	\$8,450	\$1,090,002
LU	\$327,298	\$43,940	\$419	\$11,009	\$382,666
NSU	\$48,086	\$0	\$655	\$863,454	\$912,195
ODU	\$1,144,994	\$32,015	\$9,318	\$589,270	\$1,775,597
RU	\$133,613	\$14,744	\$712	\$2,439,410	\$2,588,479
UMW	\$44,600	\$42,955	\$146	\$15,660	\$103,361
UVA	\$57,610	\$119,371	\$197,064	\$6,148,541	\$6,522,586
UVAW	-\$1,036	\$0	\$0	\$25,051	\$24,015
VCU	\$872,163	\$138,496	\$19	\$529,581	\$1,540,259
VMI	\$58,236	\$31,463	\$2,807	\$34,697	\$127,203
VSU	\$160,501	\$7,967	\$703	\$1,547,545	\$1,716,716
VT	\$767,575	\$92,326	\$93,252	\$0	\$953,153
RBC	\$39,269	\$8,934	\$0	\$112	\$48,315
VCCS	\$1,842,832	\$280,278	\$13,350	\$7,993,264	\$10,129,724
Total	\$8,097,449	\$1,103,522	\$320,743	\$20,213,148	\$29,734,862



Financial Benefits, FY2007-09

General Fund Financial Benefits of Restructuring Certification FY2007 through FY2009

	FY2007	FY2008	FY2009
Interest	\$14,967,402	\$15,361,428	\$8,097,449
Credit Card	\$1,682,600	\$1,225,395	\$1,103,522
eVA Sole Source Fee	\$225,983	\$187,569	\$320,743
Carry Forward	\$42,371,251	\$24,905,312	\$20,213,148
Total	\$59,247,236	\$41,679,704	\$29,734,862



Notes on Financial Benefits

- Interest earnings have steadily decreased.
 - The interest earnings have been off because of the economy, and some need has probably existed for the institutions to draw down their monies quicker because of budget constraints.
- Carry forward amounts have also declined.
 - Perhaps institutions have not been able to save as much because of budget cuts. Some institutions may be hedging in case the money is “taken.”
- The financial benefits appear in the FY2011 budget, but not in the current version of the FY2012 budget.



Notes on Cost Containment

- Only explicit mention of cost savings appears in the Level III Management Agreements.
- Implications for cost savings follow from the financial incentives, particularly the ability to carry forward unspent funds.
- In its 2008 review of Level III Management Agreements, JLARC had difficulty determining total cost savings. Only identified savings were in capital outlay and were based solely on institutional estimates.



Notes on Productivity

- Only explicit mention of productivity is “faculty productivity” within Goal 4 (high academic standards).
- Implicit in many Restructuring measures is improved productivity through more and better results in achieving the goals.



Access for Virginia Students

	Annualized In-state Undergraduate FTE Enrollment		
	2005-06	2008-09	% Change
CNU	4,088	4,364	6.8%
CWM	3,762	3,959	5.2%
GMU	14,148	14,729	4.1%
JMU	10,922	11,898	8.9%
LU	3,526	3,783	7.3%
NSU	3,347	3,908	16.8%
ODU	11,417	13,507	18.3%
RU	7,624	7,514	-1.4%
UWM	2,851	3,126	9.7%
UVa	9,819	10,055	2.4%
UVa-W	1,544	1,581	2.4%
VCU	16,397	18,302	11.6%
VMI	828	985	19.0%
VSU	2,964	3,091	4.3%
VT	16,110	18,136	12.6%
Four-year Total	109,348	118,938	8.8%
RBC	967	1,098	13.5%
VCCS	88,721	103,579	16.8%
Two-year Total	89,688	104,676	16.7%
TOTAL	199,036	223,614	12.4%



Graduation Rates

	Cohort Graduation Rates at Four-year Public Institutions			
	1999 Freshman Cohort		2002 Freshmen Cohort	
	4-yr Rate	6-yr Rate	4-yr Rate	6-yr Rate
CNU	18.3	44.8	30.9	48.8
CWM	81.0	90.8	82.3	91.1
GMU	26.3	52.9	35.6	60.9
JMU	62.1	80.0	67.6	82.4
LU	47.9	61.7	47.7	65.7
NSU	11.5	29.2	13.1	32.4
ODU	21.8	48.4	21.9	48.5
RU	37.0	51.3	41.6	59.8
UWM	69.9	76.3	70.4	77.5
UVa	84.3	91.6	85.0	93.1
UVa-W	26.0	43.9	29.0	47.0
VCU	21.0	42.7	23.6	49.0
VMI	52.5	65.8	58.7	74.2
VSU	20.0	40.7	21.0	39.3
VT	47.2	73.3	52.3	78.5
TOTAL	45.8	64.8	48.5	67.7
U.S.	27.9	54.1	29.9	54.9

	Cohort Graduation Rates at Community Colleges (3-year Rates)			
	2002 Freshman Cohort		2005 Freshmen Cohort	
	Transfer	Graduation	Transfer	Graduation
VCCS	11.6	13.7	9.8	16.2
U.S.	16.5	29.3	17.5	28.1